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GENERAL

1. Malik blames US as London disarmament talks threaten to bog down:

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Soviet delegate Malik is attacking the American delegation at the disarmament talks in London in a continued effort to drive a wedge between the United States and its allies. He is apparently seeking to create a situation whereby the United States alone can be blamed for the failure of the talks, according to Ambassador Aldrich.

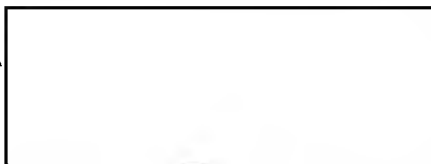
In reply to Western attempts to find possible areas of agreement, Malik said on 22 May it was a "cold fact" that there was nothing further to discuss, since there was no change in the American position. He charged that there is a Western "conspiracy of silence" on the USSR's proposals which is designed to permit the United States to hold atomic superiority.

Comment: Malik has thrown cold water on all Western attempts to seek agreement at London and has consistently reiterated his demand that the subcommittee turn its attention, instead, to Soviet proposals for immediate prohibition of nuclear weapons and a one-third reduction of conventional arms.

FAR EAST

2. Allison sees Japanese desire to loosen ties with US:

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The recent radiation incident revealed a strong neutralist and isolationist sentiment in Japan, and a desire to loosen ties with the United States, according to Ambassador

Allison. The people's readiness to panic in atomic matters indicates a serious national vulnerability, and the ambassador warns that a Communist psychological-military operation which threatened atomic attack could produce a national stampede and make American bases untenable.

Allison reports that the government's failure to control the situation following the incident disclosed severe deficiencies

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in domestic security and administrative discipline. He emphasizes that the cabinet's failure to take disciplinary action against officials who disobeyed direct orders is the most critical aspect of the affair.

The ambassador believes the government's reluctance to act stems from a desire to show independence of the United States, both for domestic political reasons and to improve Japan's bargaining position over its role in a Far Eastern collective action program.

He thinks the incident may also lead to demands for a revision of the security treaty to include an understanding on the use of nuclear weapons, and notes that the press has called on the government to obtain guarantees that Japan will never be used as a base for launching atomic war against its Asian neighbors.

SOUTHEAST ASIA

3. French control in Tonkin delta continues to shrink:

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The assistant army attaché in Hanoi reports that in certain areas in the southern part of the delta, notably Bui Chu Province and the Phu Ly area, the situation is becoming increasingly critical. An American officer who visited the Bui Chu area on 20 May reported that only one of the province's six districts was under friendly control. The Viet Minh continues to compress French-controlled areas throughout the delta.

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Meanwhile the consulate in Hanoi states that both French and Vietnamese officials are already considering the possibility of a retreat from Hanoi to Haiphong should the military situation deteriorate markedly. During his recent visit, General Salan discussed the problems of a possible evacuation of French civilians to Haiphong.

Comment: Possible evacuation of civilians from Hanoi may be related to rumor's that the French intend to withdraw

from the southern part of the delta and, on the basis of purely military considerations, regroup their regular forces roughly along the Hanoi-Haiphong communications line.

4. Growing Indonesian concern over Indochina developments noted:

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During the past year, the view generally held by Indonesians that Ho Chi Minh is the leader of a struggle identical to their own against the Dutch has run up against nagging doubts about

Ho's independence of Communist China, according to Ambassador Cumming in Djakarta. The Indonesian press has also shown an increasing tendency to recognize Ho's dependence on Peiping and one paper warned him against going from the "mouth of the lion to the mouth of the crocodile."

The ambassador believes, however, that Indonesian leaders are not prepared to acknowledge their concern publicly because it would amount to siding with the West and thus violate their "independent" foreign policy. They are also believed to feel that Indonesia's geographical location, coupled with whatever moves the West may make in Southeast Asia, provides "an umbrella which will give Indonesia time to formulate its own position."

5. Indonesian Communists advocate accord with National Party in elections:

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The secretary general of the Indonesian Communist Party on 19 May invited other "democratic" parties to join in a "ballot-box accord" to support a single slate of candidates in Indonesia's first elections, which are scheduled for next year, according to the American embassy in Djakarta.

A member of the executive committee of the National Party, which controls the Indonesian government, subsequently stated that co-operation between the Nationalists and the Communists was acceptable in the interests of presenting a single front for the elections.

Comment: By their united front tactics the Indonesian Communists have improved their position to the point where the government, in a showdown, is dependent on their parliamentary support for continuing in office. Closer co-operation between the Communists and other "democratic" parties for the elections would offer greatly improved opportunities for Communist infiltration.

6. Magsaysay may form new political party:

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[redacted] Democratic Senator Tomas Cabili said on 20 May that he and President Magsaysay have agreed to form a new political party in order to force a showdown with the Recto-Laurel faction of the Nacionalista Party. They will announce the new party on the occasion of Senator Recto's next attack on Magsaysay, which they expect after Defense Secretary Wilson's departure from Manila.

Cabili stated the new grouping will be called "Nacionalista Consolidad" and will include all five coalition Democratic senators, as well as a number of Nacionalistas and opposition Liberals in both houses of Congress.

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25X1 Comment: Magsaysay has long been reported aware he must force an eventual showdown on Recto's continuing attacks on his leadership.

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[redacted] As a result of the political conflict, the Philippine congressional session ended 20 May with little action on the president's domestic reform program.

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The projected new party includes some senators of doubtful loyalty to the president and, as outlined, would include only a bare majority of the senate. [redacted]

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NEAR EAST - AFRICA

7. Lebanese-Swedish tanker deal threatens cabinet crisis in Beirut:

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Lebanon is facing a major government crisis as a result of the efforts of some Lebanese merchants to buy two tankers from Sweden for resale to Poland, according to Prime Minister Yafi and Foreign Minister Naccache.

Yafi told Ambassador Hare that the minister of national economy feels honor-bound to resign if he must cancel the permits. His resignation, according to Yafi, could bring about a cabinet crisis which would be particularly unfortunate now when President Chamoun is making a good-will trip to South America.

On the other hand, Foreign Minister Naccache told Hare that he would resign if the deal goes through or no alternative disposition of the case is arranged.

Comment: This tanker deal, which has been engineered by politically powerful merchants, has been headlined in the Lebanese press as a "juicy scandal" and effectively used against the self-styled reform regime of Yafi and President Chamoun. Their overthrow would probably bring less desirable politicians to power.

On 19 May, the embassy in Beirut was informed that the import-export licenses had been "suspended" for one week pending study of the deal.

8. Saudi Arabia deploys troops to prevent second ARAMCO strike:

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Saudi Arabia is sending 1,500 mobile troops to the Dhahran area, bringing its total forces there to 3,000, in order to prevent a rumored strike against ARAMCO early this summer, according to Consul General Carrigan at Dhahran. In furnishing this information, Colonel Awartani, the senior Saudi military officer of the eastern province, stated that the king authorized him "to arrest the troublemaker."

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Carrigan reports that although ARAMCO does not believe immediate action is necessary to forestall a strike, the company is worried because of the absence of Ibn Jiluwi, the strong local governor.

Comment: Saudi forces seem capable of controlling any serious disturbances. Troops under Colonel Awartani were able to maintain order during last October's disorders, when Ibn Jiluwi was absent from the country. Labor difficulties are aggravated by the government's continued repressive policy which was the real cause of last fall's troubles.

In face of increasing Saudi harassment of ARAMCO, another major strike, which the government would again blame on the company, would further complicate the company's relations with the government as well as with local employees.

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EASTERN EUROPE**10. Demonstrations believed probable in Trieste if partition solution announced:**

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Mass demonstrations and possible violence in Trieste are likely to follow any announcement of a plan for partition of the Free Territory, according to American representatives in Trieste. They point to various developments among local political parties and groups tending toward support of the Italian Peace Treaty provisions calling for the establishment of an independent Free Territory. Even the local mayor, a strong Italian irredentist, in his most recent statements no longer appears to favor the 8 October declaration which provided for Italian administration of Zone A.

The pro-Cominform Communist Party is reportedly making a determined effort to encourage antipartition feeling among the local populace.

Comment: It was earlier reported that representatives of the Trieste center parties told Italian premier Scelba early this month that they would call for public demonstrations if necessary to prevent any agreement involving partition of the Free Territory of Trieste.

Since 8 October, public opinion in Trieste has mounted against any plan in which Zone A would go to Italy while Yugoslavia would retain Zone B. Much of the opposition to partition reflects the increasing amount of independentist feeling which arises from fears of the economic consequences of the return of Zone A to Italy. Furthermore, strong feeling persists among irredentists who believe that Zone B would be lost permanently under any partition plan.

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